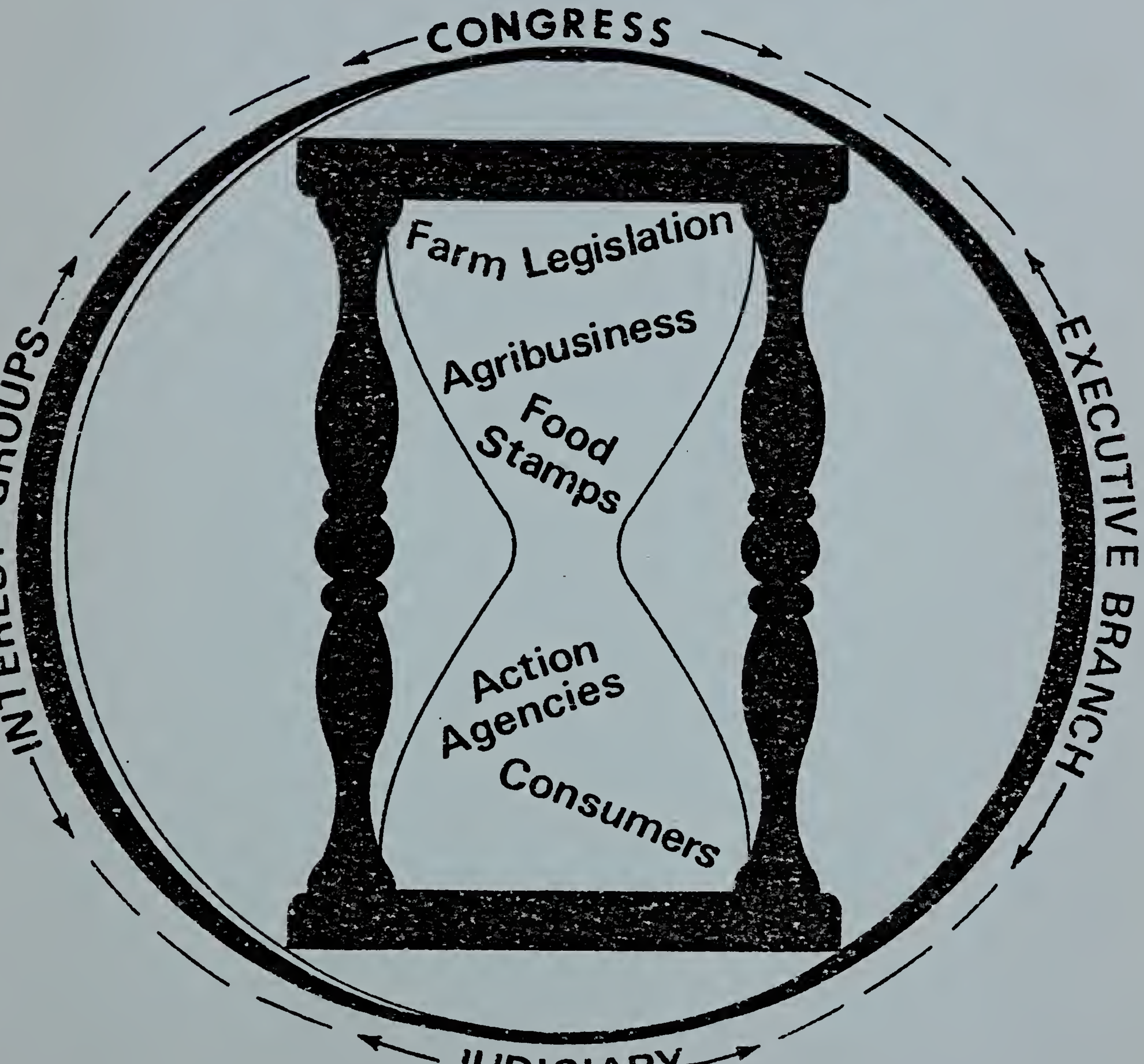
USDA and Food Policy Decisionmaking



A Report of the Agriculture Department's 1976 Young Executives Committee

AIRS

/, ERS
EBG

Attached are five extra copies I had of the 1976 Young Executives Committee Report. If you don't need them all, perhaps you could forward some to NAL. I'm not sure whether they have copies either. Thanks for your help. I learned yesterday that one of the 1972 members had sent his files to one of your staff.

Looks like we're "on the track".

Larry

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P R E F A C E

Each year since 1972, the Department of Agriculture has sponsored a cross-disciplinary program to bring together young executives from agencies and offices of the Department. The purpose of this committee is to enhance professional growth and development by involving members in broad interagency matters where they may gain insights and perspectives on departmental issues, problems, and opportunities. Committee members are selected by the Office of the Secretary from agency nominations. Nominees, grade GS-12 and above and age 35 or less, carry out their duties while maintaining full-time position responsibilities.

The 1976 Young Executives Committee conducted two major, interrelated activities -- an orientation program with Government officials and industry leaders to gain exposure to a broad range of considerations in food and agriculture, and study of a major topic of significance to the Department. The committee deemed it appropriate to study the past, current, and evolving role of USDA in formulating agriculture and food policy and the implications for the future of the Department. This report, a product of both activities, reflects the views of the committee and may not coincide with official views of the Department.

The committee wishes to thank all the people who gave of their time to interact candidly with the members. The support of agency administrators is also gratefully acknowledged. Finally, the committee extends a special thanks to J. Dawson Ahalt, Staff Economist, Office of the Secretary, for assistance in facilitating the activities of the committee throughout the year.

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USDA AND FOOD POLICY DECISIONMAKING

A Report of the Agriculture Department's
1976 Young Executives Committee

January 1977

S U M M A R Y A N D R E C O M M E N D A T I O N S

A growing public concern about the role and influence of the Department of Agriculture in food and agricultural policy formulation and administration prompted the USDA Young Executives Committee of 1976 to select this topic for study. This report and the subsequent recommendations are a result of our year-long study and are derived (though not totally) from the case studies. Our experience suggests that economic, social, and political conditions have changed sufficiently to warrant a reexamination of the Department's role in the policymaking process. Our report and recommendations are offered in a positive vein as input into any such deliberations.

In recent years, the economic and social context of agriculture has undergone fundamental change. Farming as a way of life has changed because of industrialization of the agricultural sector and has been accompanied by a decline in the number of farms. Agriculture has become increasingly important in domestic and international affairs and contributes significantly to broader national policy goals. Changes in the national political environment mean that policy processes and issues, once the sole domain of the agricultural community, are now changed and attract widespread participation from other affected segments of society and units of Government.

Product prices and farm income, long symptomatic of our domestic agricultural adjustment (the "farm problem"), led the Department to embrace producers and agribusiness firms as its primary clients, and the Department was generally recognized as an advocate for their interests. Until early in this decade, the administration of commodity programs was a primary function of the Department. Concomitant with the decline in importance of commodity programs was an increase in importance of domestic food assistance programs administered by the Department. As the number of traditional clients served by the commodity programs declined, the number of people served by food assistance programs increased. Thus the Department has gone from primarily administering programs with which it has long experience to administering those with which it has little.

The importance of United States agriculture now extends into the domestic and international policy areas. Agriculture contributes materially to much larger national objectives and is now properly the concern of units of Government additional to the Department of Agriculture. The proliferation of Government units with a new interest in this policy area, as noted in the case studies, suggests the need for increased coordination across the Executive Branch to integrate systematically the input of these units. Also, increased coordination within the Department in policy formulation and program administration is needed, as is improved liaison with the Congress on food and agricultural policy matters.

We recognize the tendency in Government for an adversary process to exist and for the various Departments and units of Government to advocate positions favorable to their perceived clientele. We further recognize that this approach has merit in evolving sound policies. Recommending increased coordination is not to recommend that the agricultural and food policy area be abdicated by all but agriculture. Rather, it is to effectively and systematically insure that all appropriate input be garnered to best serve the public interest through sound and coherent policy decisions.

Recommendations:

A. Modification of an organizational mechanism such as the existing Agricultural Policy Committee is recommended...

   1. Insuring that views of all appropriate entities are considered.

   2. Extending its authority to all aspects of food policy issues.

   3. Providing an explicit Congressional liaison function.

B. A new name, such as Food and Agricultural Policy Committee, is suggested. The Department of Agriculture should provide the leadership for this committee.

C. Emphasis should be given to increased coordination between agencies within the Department with reorganization where necessary.

While the Department has traditionally viewed its primary clients as agricultural producers and agribusiness firms, this does not mean that the Department has not operated in the public interest. Quite obviously, the ultimate beneficiaries of the Department's operation have been American consumers. However, the first-line clients in the

policy arena have been perceived as "agriculture," and the Department has become recognized as advocate for these interests. In this pursuit, there have often been inherent conflicts (such as between producers and consumers) and polarization of various interest groups.

The current environment is one in which the variety of interests the Department serves should be given explicit consideration. The Department's recognized clientele should be broadened to include, in addition to the traditional groups, low income consumers served through the food assistance programs, and consumers in general. Only token steps have thus far been made and a sincere effort is now warranted.

Recommendations:

A. The primary clientele of the Department should be broadened to effectively incorporate the interests of low income persons, consumers in general, and other groups of society significantly affected by functions within the purview of the Department.

B. The Department should designate an Assistant Secretary charged with the responsibility of reflecting the views of all consumers in Department policy deliberations.

Our case studies underscore the interdependence that now characterizes previously disjointed policy areas. "Agricultural policy," "foreign food policy," and "domestic food policy" now overlap and decisions in one area may significantly impact another. It seems only a matter of time until there is full recognition of the advantages to be gained by combining these distinct areas. The Department, with strong political leadership drawing upon the full resources and expertise of its professional staff, is in a position to demonstrate public spirited leadership

in initiating development of at least a rudimentary framework for a national food policy. No national policy framework now exists, and many of the major components to be included are currently the responsibility of the Department. Such a policy could incorporate the major policy areas related to food and agriculture and thus facilitate the intragovernmental coordination and expanded clientele base recommended above.

Recommendation:

> The Department, in the public interest, should exert strong leadership in initiating development of a framework for a broad national food policy. Such a policy should integrate the major areas relating to food and agriculture, including production, processing and distribution, consumption, domestic and foreign food assistance, and foreign food aid and commercial trade.

As the case studies clearly show, the functions of the Department are broad, extending far beyond traditional agriculture to domestic and foreign food consumption, trade, and aid. With the variety of agricultural and food related responsibilities encompassed, it seems appropriate, and facilitating, for the name of the Department to more realistically reflect its functions and focus.

Recommendation:

> Serious consideration should be given to changing the name to accurately reflect the scope and functions of the Department.

The recommendations are not meant to imply that present and former officials of the Department have failed to act in any but the appropriate manner. Contrarily, our study has led us to believe that the conditions

cited have recently changed the environment sufficiently to prompt a full recognition and realization that the Department must adjust to a rapidly changing clientele, political environment, and domestic and world economy. We think this a favorable time for the Department to demonstrate a new mix of public-spirited leadership effecting changes thought to be clearly in the public interest.

This committee strongly believes that the implications of not seizing the current opportunities for change are ominous for the Department. Failure to act at this time could result in a reduction in the Department's role and influence in broad policy formulation and, perhaps, its ultimate demise. A reduction of the Department's role in broad policy formulation would eventually lead to ineffectiveness in areas of vital concern.

INTRODUCTION

Persons involved in the policymaking process perceive a difference between farm or agricultural policy and food policy, though the terms are often used interchangeably. Farm or agricultural policy is viewed by many as being oriented towards domestic agricultural production. Food policy is believed to include the processing and distribution of food, both within this country and to foreign countries, as well as domestic agricultural production. Therefore, food policy is broader, and is oriented toward both producers and consumers.

The policymaking process and participants in the process have changed significantly in recent years. The period of change seems to coincide with the period of wage and price controls (1971 to 1974).

Before controls, the Department of Agriculture was generally recognized as the primary Governmental body responsible for agricultural policy and the Congress looked toward it for policy guidance. Two other Governmental bodies within the Executive Branch were influential in shaping policy: the Office of Management and Budget (OMB), and the Council of Economic Advisors (CEA). Policies affecting government spending were approved by OMB, and the CEA analyzed policies affecting the averall economy.

Economic conditions during the period of controls attracted public attention to food and food-related issues; for example, rapidly rising retail food prices, increasing farm-to-retail price spreads, large

grain sales to the Soviet Union, product shortages, and instances of producers destroying products because of the cost-price squeeze. Those and other economic events during the period of controls contributed to the disharmony within the Executive Branch and between the Legislative and Executive Branches regarding food-related policies.

USDA policies were criticized because they favored high farm prices during a period of rising retail food prices, which was thought to be contrary to the Administration's anti-inflationary programs and detrimental to consumers at that time. Disagreements over food-related policies in 1973 resulted in President Richard M. Nixon forming a Special Food Committee. It was chaired by the Secretary of the Treasury and was given an independent staff from within the Cost of Living Council (CLC).

Evolving out of the CLC Special Food Committee was the Food Deputies Group of the Economic Policy Board (EPB), chaired by the Chairman of the CEA. It was created to monitor agricultural developments and to prepare materials on selected issues being considered by the EPB. In November 1974, after the period of controls, President Gerald R. Ford established an International Food Review Group. Chairmanship was given to the Secretary of State and its purpose was to coordinate followup efforts to the World Food Conference.

President Ford created the Economic Policy Board/National Security Council Food Committee, co-chaired by the Secretaries of State and Treasury in September 1975. Its primary purpose was to develop negotiating strategy for U.S. grain sales to the Soviet Union and to monitor negotiations.

In March 1976, President Ford announced a reorganization of the Administration's agricultural policymaking machinery and the Secretary of Agriculture was named chairman. The committee was formed to consolidate agricultural policymaking into one group, reporting directly to the President. It advises him on the formulation, coordination, and implementation of domestic and international agricultural policy. Within the Agricultural Policy Committee there are two Executive Secretaries: one for Farm Policy and International Trade, and one for Economics and Economic Development. Two Assistant Secretaries in the Department of Agriculture serve as the Executive Secretaries. In the same reorganization, the Food Deputies Group was renamed the Agricultural Policy Working Group and placed under the co-chairmanship of the two Executive Secretaries to provide staff level assistance.

More groups, representing a wider array of interests, are now involved in determining food and agricultural policy. As indicated in Table 1, USDA, OMB, and the CEA were the three primary governmental bodies in the Executive Branch involved in food and agricultural policy formulation prior to the controls period. Since implementing controls, five food committees or groups were formed or reorganized, and USDA, OMB, and the CEA continued to be represented on each. In total, five cabinet level departments have been involved in food policymaking (Departments of Agriculture, Treasury, State, Commerce, and Labor), as well as twelve independent agencies within the Executive Branch. Chairmanship, a very important position in the policymaking organization

Table 1 -- Food and agricultural policy making organizations, 1970 to 1976.

Department or Agency	POLICYMAKING ORGANIZATION					
	Prior to Wage and Price Controls a/	During and After Wage and Price Controls				
		Special Food Committee of the Cost of Living Council	Food Deputies Group of the Economic Policy Board	International Food Review Group	Food Committee of the Economic Policy Board/National Security Council	Agricultural Policy Committee b/
Department of Agriculture	X	X	X	X	X	X (Chairman)
Council of Economic Advisors	X	X	X (Chairman)	X	X	X
Office of Management and Budget	X	X	X	X	X	X
Department of the Treasury		X (Chairman)	X	X	X (Co-Chairman)	X
Cost of Living Council		X				
Department of State			X	X c/ (Chairman)	X (Co-Chairman)	X
Department of Commerce			X		X	X
Council on International Economic Policy			X	X	X	X
Domestic Council			X			
National Security Council			X			
Special Representative for Trade Negotiations			X	X		X
Council on Wage and Price Stability			X			
Assistant to the President for Economic Affairs				X	X	X
Assistant to the President for National Security Affairs				X	X	X
Department of Labor					X	
Assistant to the President for Domestic Affairs						X
Special Assistant to the President for Consumer Affairs						X

a/ This was not a formalized organization; however, the Department of Agriculture was generally recognized as the leader within the executive branch.

b/ When this organization was formed, the Food Deputies Group was renamed the Agricultural Policy Working Group, and was co-chaired by two Executive Secretaries, both from within the Department of Agriculture.

c/ Department of State had an additional representative besides the Secretary of State.

Principle source: Office of the White House Press Secretary, "Fact Sheet: Agricultural Policymaking Reorganization," March 5, 1976.

(power to schedule meetings, control the agenda, focus discussion, etc.), shifted from the generally recognized leader prior to controls (USDA), to the Department of Treasury, to the Council of Economic Advisors, to the Department of State, to the Departments of State and Treasury, and, finally, back to the Department of Agriculture. Currently, the Agricultural Policy Committee and its Working Group is composed of four cabinet level departments and eight independent agencies within the Executive Branch.

The Young Executives Committee believed it appropriate to study the past, current, and expected future role of the Department of Agriculture in formulating food policy, and the implications for the Department. The Committee visited with a number of current and former officials of the Department of Agriculture, persons in other departments and agencies within the Executive Branch, and persons closely associated with the Congress, among others.

Several persons were invited to speak to our entire Committee while others were contacted through case study subcommittees. One subcommittee studied a controversial event which has already occurred: the long-term grain agreement with the Soviet Union. A second subcommittee studied an on-going and often controversial program within the Department of Agriculture which was undergoing scrutiny and subject to legislative change during 1976, the Food Stamp Program. A third subcommittee studied a future event, one that will receive considerable attention in the early

months of 1977, the process of arriving at replacement legislation for "The Agriculture and Consumer Protection Act of 1973." Another subcommittee studied the Department's ability to implement future food policy by focusing on the management within the Department of Agriculture. This report is a compilation of study results.

CASE STUDIES

LONG-TERM GRAIN AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION

SUMMARY AND OBSERVATIONS

Based on our study, the US/USSR long-term grain agreement was a good solution to the problem posed by sizeable, erratic Soviet grain purchases. The solution to this problem required input from many sources other than the Department of Agriculture. At the time of the crisis, no means existed for coordination of these inputs necessary for an effective and expedient decision.

The climate was right for dominant personalities with special interests to have a disproportionate effect on the decision. Also, others who should have participated were not involved. As a result, the agreement was unnecessarily delayed, permitting other factors to magnify the problem.

From this crisis came the realization that a single agricultural policymaking body was needed. Creation of the Agricultural Policy Committee appears to provide this much needed mechanism.

BACKGROUND

The in-and-out nature of Soviet grain purchases has been a major disquieting influence in world markets since 1972 when a poor Soviet crop, attractive world prices, and a commitment to increase livestock production caused their entry into the market for large quantities of grain.

Grain purchases by the Soviet Union in the 1971-72 crop year totaled almost 8 million metric tons, of which nearly 3 million tons were supplied by the United States. The following year, Soviet purchases reached almost 22 million metric tons, 13.7 million from the United States. Soviet purchases during the next two years were more modest, but the world economic picture had changed. The first decline in overall world grain production and carryover stocks in 20 years, higher energy costs, inflation, and a downturn in economic activity contributed to higher food costs for American consumers. As a result, consumers became more cautious and concerned about potential sales of American grain to foreign customers -- especially the Soviet Union.

It was against this backdrop that the Soviets' reentry into the U. S. grain market became known early in July 1975. A voluntary moratorium on all sales to the Soviet Union was announced August 11, to last until the U. S. crop outlook was better known. In mid-August, the International Longshoremen's Union refused to continue loading ships bound for Soviet ports.

As pressures continued to build in the summer of 1975, President Ford formed a special EPB/NSC food committee to study the situation. From this group came the Administration's decision of September 9 to seek a long-term agreement for the sale of feed grains and wheat to the Soviet Union. The existing moratorium on sales to the Soviet Union was extended until mid-October, when additional information on world supplies and demands would be available.

A U. S. team went to the Soviet Union to begin negotiations in September. That same month, the sales moratorium was extended to include shipments to Poland. On October 9, President Ford announced that discussions involving the purchase of Soviet oil were going on at the same time as grain negotiations. The moratorium on sales to Poland ended the next day. The moratorium on Soviet sales ended when the President announced signing of the US/USSR Long-Term Grain Agreement on October 20.

The agreement between the United States and the Soviet Union is for a five-year period beginning October 1, 1976. Key provisions are as follows:

1. Commits the Soviet Union to purchase a minimum of 6 million metric tons of wheat and corn annually in approximately equal proportions.

2. Permits purchases of an additional 2 million metric tons annually without government-to-government consultation.

3. Provides that the U. S. will facilitate Soviet purchases under the agreement and not exercise its authority to control shipments of these amounts except that it may reduce the quantity to be sold in any one crop year if the estimated total U. S. grain supply is less than 225 million metric tons in that crop year.

4. Provides for consultations in advance of purchases in excess of 8 million metric tons of wheat and corn in any one crop year.

5. Requires shipment of grain to be in accord with the US/USSR Maritime Agreement.

DECISIONMAKERS

Prior to actual negotiation of the long-term grain agreement, several Government agencies and departments, other than Agriculture, became interested in grain sales to the Soviets as they began to develop. The Council of Economic Advisors was concerned about the volume of sales in relation to domestic supplies and their potential effect on domestic food prices. State and Treasury voiced similar concerns. Treasury stated that their interest in this area of food policy relates to their overall responsibility for stable national economic growth and monitoring efficient use of scarce and natural resources.

The State Department notified the Soviets that the United States had to know in advance what volume of grain was needed. They claimed this effort was thwarted by Agriculture's simultaneous assurances that the Soviet Union could buy all it needed.

The special food committee which President Ford established in September 1975 made the decision to negotiate a long-term agreement with the Soviet Union. The Secretary of Labor, a member of this committee, first reported this decision to the press.

Outside of Government, George Meany, President, AFL-CIO, was among those opposing heavy volume sales to the Soviet Union. At a press conference, Meany said longshoremen were not going to load any

grain to the Soviet Union under purchase arrangements made after July 1 unless a policy was set forth to protect the American consumer and the American shipping industry.

President Ford called union leaders to the White House prior to announcement of the long-term grain agreement to discuss sales to the Soviets. An initial meeting included Secretary of State Henry Kissinger, Secretary of Agriculture Earl Butz, Labor Secretary John Dunlop, representatives of the Office of Management and Budget, and others. In a second meeting, the agreement with the Soviet Union was described to union leaders including USSR's acceptance that one-third of all grain shipped under the agreement would be in U. S. ships. 1/

The negotiating team made two trips to the Soviet Union before agreement was reached. The first trip was headed by Charles Robinson, Under Secretary of State for Economic Affairs. Other team members were Dean Hinton of the State Department, and Don Novotny, Director of the Grain and Feed Division of USDA's Foreign Agricultural Service. Novotny said the first trip primarily set parameters for final negotiations. 2/ Robinson also headed the team on its second trip in October, but on this occasion he was accompanied by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity

1/ Committee interview with Al Zack, Director of Public Relations, AFL-CIO, September 2, 1976

2/ Committee interview with Don Novotny, July 23, 1976

Programs, and Joseph C. Bell of the Federal Energy Administration. Actual negotiation of the grain agreement, as well as consideration of oil provisions, were handled by the second team.

REACTIONS AND OBSERVATIONS

Grain producers claimed they lost more than they gained by the agreement. In fact, the National Association of Wheat Growers (NAWG) authorized their Executive Board to challenge the Government's right to interfere with the free marketing of grain.

Jerry Rees, NAWG Executive Vice President, claimed an agreement like this cuts down on competitiveness. He thinks it had a cooling effect on the market and believed that the grain quantity amounts in the agreement were too low. Growers feel that the agreement has affected price, Rees added, indicating that price charts showed a complete dropoff since the agreement was signed. 3/

Dale Lyon, President of the Kansas Farmers Union, blamed the price decline on farmers pouring substantial quantities of wheat on the market, trying to take advantage of relatively good prices at the time. In his view, farmers overloaded the market with grain and paved the way for the price decline. Kansas Farm Bureau President Junior Armstrong expressed the feeling that the President had given in to George Meany. Armstrong said the slowdown of grain loading by the

3/ Committee interview with Jerry Rees, September 7, 1976

International Longshoremen's Union cuased the Farm Bureau to seek an injunction against them. He feels farm groups in the future will exert more muscle by use of legal tools. 4/

The National Farmer's Union and American Farm Bureau both reacted immediately that the agreement was government interference in the world marketplace. Interviews by this Committee with producers and farm organization leaders revealed a concensus that agricultural producers should have been represented in the negotiations leading to the agreement. There was a general feeling that the Secretary of Agriculture was not sufficiently involved in negotiations.

This Committee found considerable agreement with an assessment by Leo Mayer that the grain agreement with the Soviet Union helped dampen the growing public concern that had arisen over food security in the United States. It helped remove a source of public dissension, perhaps unjustified by basic market conditions, that had plagued the nation for nearly three years. Whether or not the agreement eventually evens out Soviet purchases as it is designed to do, it has had the short-term effect of calming public fears about food shortages. It can be argued that it made a contribution to public tranquility even though some farm groups thought it moved trade policy in the wrong direction. 5/

4/ Committee interview with Kansas farmers and farm organization leaders, September 27-29, 1976, Manhatten, Kansas

5/ Leo V. Mayer, Senior Specialist in Agriculture, Congressional Research Service, "The Russian Grain Agreement and Future U. S. Food Policy," March 25, 1975

Julius Katz, Assistant Secretary of State for Economic and Business Affairs, said it was a mistake for the Secretary of Labor to have been the first to tell the press about planned negotiations with the Soviet Union because it angered producers. A second mistake he noted was in the duration of the sales moratorium which had been prolonged by uncertain supply estimates and grain for oil negotiations. Katz feels the most significant feature of the agreement is that it requires the Soviets to tell us when they wish to buy more than 8 million metric tons in any one year. 6/

While the State Department supported the Soviet grain agreement as a response to erratic purchases, it is otherwise skeptical of long-term agreements because it favors freer foreign trade. State Department officials don't see the need or desirability for more agreements along these lines.

Robert Vastine, Deputy Assistant Secretary for Trade and Raw Materials Policy, said that Treasury is basically opposed to commodity agreements. He characterized this particular one as an "exceptional circumstance" that could be looked upon as a means of "perfecting" the free market by eliminating a major cause of instability. 7/

Clarence Palmby, Vice President for Public Affairs with Continental Grain Company, felt there was a need for the agreement and that the President did have the authority to enter into this type of understanding

6/ Committee interview with Julius Katz, October 26, 1976

7/ Committee interview with Robert Vastine, October 21, 1976

In his view, the US/USSR accord brought more confidence into the whole price structure. Palmby recalled that when he was an Assistant Secretary of Agriculture in the early 1970's there was talk about long-term grain sales to the Soviets, but his feeling was that the mood of the country would not have permitted such an agreement then. Palmby said that in the eyes of the American people, purchase of food from us by the USSR is looked upon differently than from other countries. He feels sales to the Peoples Republic of China could be in the same category.[8/]

Congress reacted to the agreement by holding several hearings related to negotiation and terms since the Administration had taken this action without its advice and consent. Several committees of both the House and Senate questioned Under Secretary of State Charles Robinson and Assistant Secretary of Agriculture Richard Bell about terms of the agreement.

Soviet Embassy officials in Washington viewed the agreement as a means of securing additional supplies of grain for their country's use, but not as their main supply of grain. For those Americans critical of the U.S. grain trade with the Soviets, Embassy officials responded with this question: "If you stop trading with the USSR, can you guarantee U.S. prices will not go up?" [9/]

8/ Committee interview with Clarency Palmby, New York City, September 22, 1976

9/ Committee interview with Mr. Michael Azkmatov, Economic Counselor, and others, Soviet Embassy, Washington, D. C., July 21, 1976

Canada was interested in the long-term agreement between the U.S. and the Soviet Union, but they were not affected by it since they already have agreements with the Soviets, according to James Hill, Agricultural Counselor for the Canadian Embassy in Washington. Canada has had three-year agreements with the Soviet Union as well as with the Peoples Republic of China. 10/

Japanese agricultural officials at the embassy in Washington believe the agreement may have served to stabilize and improve the world market for other countries. It was their feeling that there was a need to tame Soviet behavior since large USSR purchases from the United States disturbed the world wheat market. Japanese officials related that there was some fear in their country at the time the agreement was announced concerning Japan's ability to acquire their grain needs from the United States. 11/

One of the major reasons why the US/USSR grain agreement was needed was because the United States lacked a formulated export policy, according to Assistant Secretary of Agriculture Richard Bell. He explained that until 1972 there was no need to control exports because we had surplus levels of grain. 12/

10/ Committee interview with James Hill, July 21, 1976

11/ Committee interview with Mr. Ken-Ichi Unno, Japanese Embassy, Washington, D. C.

12/ Committee interview with Richard Bell, November 3, 1976

In looking back on negotiation of the agreement, Bell feels that he should have made the first negotiation trip to the Soviet Union to emphasize the high priority which Agriculture placed on these negotiations. His absence on the first trip, in his opinion, may have contributed to feeling among the agricultural sector that the agreement was totally the State Department's idea even though the concept of the agreement had originated from joint work by Bell and Don Novotny.

At the time of negotiations, Bell said that USDA had difficulty convincing other government agencies that the United States had no real leverage in the world grain market. It was the desire to use U.S. grain as leverage which prompted the attempt to connect oil to the grain agreement. Bell said the difficulty in negotiating the agreement was not with grain, but with oil terms. He felt the agreement should have been reached in September, a month earlier than it was signed. A mistake the Department of Agriculture made, Bell admitted, was in not consulting with agricultural producers.

Assistant Secretary Bell agreed with Assistant Secretary of State Katz that the real significance was in assuring us that the Soviet Union would not buy more than 8 million metric tons in a crop year without consultation. He added that it was worth something to the USSR, too, because it meant they were no longer at the end of the line in being able to purchase grain from the United States.

When discussing the agreement before a Senate subcommittee, Bell characterized the accord as "a unique agreement to deal with a unique situation. We do not seek this type of agreement with any other importing country and would, in fact, oppose such a proposal. It is true that we have understandings now with Japan, Poland, and other countries. However, these are not specific in their obligations but provide general assurances on both sides." Bell added, "In addition to the smoothing out of Soviet grain purchases in the short-term, we hope that the US/USSR grain agreement will help encourage an expansion in Soviet grain storage capacity. This will have an evening effect on USSR purchases over the longer term, as the Soviets draw from stocks in poor years and add to stocks in good years." 13/

The Young Executives Committee feels that the wide diversity of reactions and observations to this policy decision offers a frame of reference for future policy formulation.

13/ Statement of Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs before the Subcommittee on International Finance, Senate Committee on Banking, Housing, and Urban Affairs, December 10, 1975

SUMMARY AND OBSERVATIONS

USDA needs to implement planning for the Food Stamp Program that relates to an overall domestic and international food policy. While the immediate incorporation of the Program into an income maintenance welfare reform package does not seem to be a viable alternative at this time, the general opinion is that welfare reform is needed and will eventually occur.

Meanwhile, the Department should place greater emphasis on the administration of the program. Specifically, increased efforts should be made in the areas of nutrition education, involvement of constituency in the decisionmaking process, elimination of overlaps in food programs, and increased state efforts in expanding their outreach services.

BACKGROUND

On January 21, 1961, President John F. Kennedy, in his first Executive Order, directed the Secretary of Agriculture to increase the amount and variety of foods being distributed to low-income families. At first, emphasis was placed on making effective use of food acquired under price supports and surplus removal programs of the Federal Government. As food commodity surpluses dwindled, the

emphasis has shifted toward supplementing food purchasing power of U. S. consumers with food stamps sold at a discount. The savings the food stamp recipient realizes by buying food stamps at a discount is known as "bonus value". Consequently, program expenditures for acquisition and distribution expanded rapidly as consumers with food stamps have purchased foods which are not necessarily in abundant supply. By June 1972, 11,594,000 people were receiving Food Stamp Assistance for a total bonus value of $3,309,000,000. In June 1976, an estimated 17,980,000 people received $5,320,000,000 in bonus value and spent about $8,691,000,000 in food stamps. The bonus value of food stamps in FY 1976 accounted for approximately 37 percent of the USDA budget.

ELIGIBILITY REQUIREMENTS

Any household that meets established, national, uniform eligibility requirements and complies with program work registration requirements can participate in the Food Stamp Program.

Under the Food Stamp Program, a household pays a certain amount for an allotment of food stamps worth more than the amount paid. The amount a household pays -- the purchase requirement -- is based on the household's size and income after certain allowable deductions. The purchase requirement represents a "reasonable" investment by the household but, by law, cannot exceed 30 percent of the household's

net monthly income. Households with little or no income pay nothing for their coupons. The amount of food stamps the household receives -- the coupon allotment -- is based on the cost of a low-price, nutritionally adequate diet developed by USDA's Agricultural Research Service.

Under the terms of the Food Stamp Act, each state's welfare agency administers certain aspects of the program within the state. These functions include telling low-income households about the program, insuring participation of and certifying eligible households, and issuing food stamps.

Under the provisions of Public Law 93-347, USDA reimburses states for half the cost of administering the Food Stamp Program. That law also directs USDA to withhold payment of these matching funds if a state fails to operate the Food Stamp Program "efficiently and effectively." Also, a food stamp quality control program was established in 1972 to insure that the Food Stamp Program is run fairly and correctly.

PROGRAM PURPOSES

Food and Nutrition Service (F&NS) believes the Food Stamp Program insures basic nutrition for program participants and requires that people plan their food expenses one month at a time. However, it is certain that duplication exists. For example, it is possible

for food stamp recipients to qualify for benefits under the Child Nutrition Programs and the Supplementary Feeding Program for Women, Infants, and Children (WIC) Program. These programs provide free or reduced price lunches and breakfasts for school children and supplemental food for mothers, infants, and children.

One of the major purposes of the Food Stamp Program is to enable low-income households to buy more food of greater variety to improve their diets. While providing a means for the poor to purchase more food for their dollars, the Food and Nutrition Service has not actively promoted a nutrition education program outside of preparing educational materials. Due to their legislative mandate, the role of F&NS has been primarily one of regulation. The states are charged with the implementation and "outreach" (actively seeking new eligible program recipients) of the Food Stamp Program.

The Cooperative Extension Service has administered the Expanded Food and Nutrition Education Program (EFNEP) since 1968. The purpose of this program, which is carried out by each state, is to improve the dietary level of low-income families and youth, through education and improved use of resources. Paraprofessionals from local neighborhoods are trained to work with homemakers and youth. The states select the sites based on size and need. The program is carried out in less than one-half of the counties in the U. S., in which 51 percent

of the families reached are food stamp recipients. The Cooperative Extension Service is not involved in "outreach" other than to refer eligible families to local resources for Food Stamp Program benefits.

PROGRAM IMPACTS

The current program can be viewed solely as a food program, as a combination of nutrition and income maintenance programs, or solely as an income maintenance program. There is little doubt that the buying power of the participants is increased. Also, a recent study indicated that the program has a sizable impact on the U. S. economy. By comparing what would have happened if there had been no program with the known effects the program actually had, it was determined that business receipts were about $1.2 billion more and gross national product was about $427 million more with the program than without it. As a result of larger business receipts under the program, there were about 76,500 more jobs created in fiscal 1974 with the program than there would have been without it. 1/

Food programs do have an impact on total food markets. Proponents of an income maintenance system usually discount the impact on agriculture. As an estimate, cash receipts to farmers were

1/ "Impacts of Domestic and Foreign Food Programs on the U. S. Agricultural Economy," USDA Economic Research Service, for Senate Select Committee on Nutrition and Human Needs, 93rd Congress, 1st Session, October 1973, and "Food Stamp Program Profile, Part 2" - Appendix: Senate Select Committee on Nutrition and Human Needs, 94th Congress, 2nd Session, August 1976

$93 billion in 1975, and the bonus value of food stamps in FY 76 was $4.7 billion (without Puerto Rico and the Trust Territories). It was estimated that the Food Stamp Program increased cash receipts to farmers by one to one-and-a-half percent. 2/

OBSERVATIONS

If the Food Stamp Program were converted to a cash income maintenance program and transferred out of USDA, as former Secretary Butz has suggested, 3/ it is anticipated there would be an increase in size with no guarantee that recipients would use the money for food purchases. Participation would probably increase, while many current participants would receive lessened benefits due to the present overlapping of separate programs. One of the concerns voiced most by USDA officials was that a cash income maintenance system would carry no nutritional guarantee. 4/ An ERS study showed that 50-65¢ of each dollar would go toward food if a change was made to a cash income maintenance system. 5/ Several forces would be greatly opposed to

2/ Committee interview with Stephen Hiemstra, Director, Economic and Program Evaluation Staff, Food and Nutrition Service, USDA, June 24, 1976

3/ Committee interview with Earl L. Butz, Secretary of Agriculture, USDA, May 19, 1976

4/ Committee interviews with Alberta Frost, Food and Nutrition Service, USDA, May 6, 1976; Stephen Hiemstra, Food and Nutrition Service, USDA, June 24, 1976; Nancy Snyder, Director, Food Stamp Division, F&NS, USDA, September 10, 1976

5/ "Bonus Food Stamps and Case Income Supplements - Their Effectiveness in Expanding Demand for Food," USDA Economic Research Service Marketing Research Report 1034, October 1974

the transfer of FNS out of USDA. Urban and rural Congressmen on the House and Senate Committees on Agriculture use the food programs as a bargaining tool. 6/ Some groups interested in food stamps would prefer the program stay in USDA because they feel they now have a stronger voice than they would if the program were transferred out of USDA. Also, the general concensus is the program would be lost in the vast maze of a department like HEW.

If the program remains under USDA, changes are needed to improve it by increasing the involvement of the constituency. Critics of the administration of the program often make the point that acceptance of the program decisions would be greater if those affected by the decisions were better able to have a voice in them. According to some people concerned with food stamp issues, opinions of interested groups should be heard before a final decision is reached, although the consumer representatives would have no vote in the decision process. 7/

There is a need for states to make a more concerted effort to expand their outreach services to encourage more participation by those eligible for food stamps and coordinate this effort with the

6/ Committee interview with Robert Levine and Lynn Daft, Congressional Budget Office, May 20, 1976

7/ Committee interviews with Robert Greenstein, Consumer Nutrition Institute, September 9, 1976; Nancy Steorts, Special Assistant to the Secretary for Consumer Affairs, USDA, September 1, 1976; Ronald Pollack, Food Research Action Committee, September 30, 1976

Expanded Food and Nutrition Education Program of the Cooperative Extension Service. 8/

Income maintenance programs scattered among Government agencies now provide overlapping benefits. It is the opinion of many that there is a great need for Executive Branch Departments and agencies to coordinate Federal income maintenance and food programs. Presently USDA attempts to eliminate overlap are minimal. Legislative and regulatory changes are needed to decrease this degree of overlapping and enable more people to participate in the program. For example, increasing the share of administrative costs paid by the state would create more incentive for states to eliminate overlaps in participation.

Even those groups advocating the removal of the Food Stamp Program from USDA admit that this realistically could not be done in the foreseeable future. A program receiving two-thirds of the USDA budget allocation warrants greater attention by the Department. Since the Program has an effect on farm income, some efforts at planning for the future should be made. There should be a long-range USDA food stamp policy developed with input from all relevant agencies within USDA. At the minimum, the policy should be developed one year into the future. Ideally, this would be a factor in planning the overall U. S. domestic and international food policies.

8/ Committee telephone interview with Nancy B. Leidenfrost, Deputy Assistant Administrator for the Expanded Food and Nutrition Education Program, Home Economics, Extension Service, November 15, 1976

Many of those consulted in USDA, the Senate Select Committee on Nutrition and Human Needs, the House Committee on Agriculture, and interested groups is that eventually the Food Stamp Program should become part of an overall income maintenance program. In such a program, the needs of a family will be considered from every aspect: food, housing, clothing, education, etc. This type of program would best be administered by one agency. Nevertheless, the implications for USDA in the possible removal of such a large segment of the USDA's budget would be profound. The budget of USDA would decrease approximately 70 percent ($10-12 billion to $3-5 billion), at present figures). USDA officials believe that, due to current budget allocations for the Food Stamp Program, growth of traditional programs is being curbed.

SUMMARY AND OBSERVATIONS

Prior to 1970, there were few influential participants in the process of developing food and agricultural legislation. Now participants include not only the traditional groups, but also widely diverse groups ranging from consumers to organized labor and foreign policy specialists.

Events in this decade led to a change in the role of the Department of Agriculture and a diffusion of its influence. As the Department has continued as an advocate for producer and agribusiness interests, this clientele group has decreased in number and experienced a corresponding loss of influence in Congress. Also, other groups within the Executive and Legislative Branches have demanded a growing voice in policy determination. This has naturally led to conflicts and subsequent attempts to increase the coordination among sectors of Government with interest in this policy area.

The Department should reassess its role and its specific clientele. It has the opportunity to assume leadership and provide new initiative in development of an omnibus national food policy while effectively broadening the Department's client base. The development of successor legislation to the 1973 Act will be an indication of the extent to which the Department's role has changed.

BACKGROUND

The USDA has long been a major participant in formulating and implementing policies which focus on farm product prices and farmers' income. Agricultural legislation was formerly uninteresting to all but a small group including USDA, the general farm organizations, and a bipartisan group of Congressmen from the Midwest and South. Beginning in the early 1930's and for three successive decades, legislation relating to agriculture was known as "farm bills". As the agricultural sector became more industrialized and concerns developed in new areas, a broader designation was given to such legislation, and the term "agricultural policy" evolved. The major legislation now in force is entitled: "The Agriculture and Consumer Protection Act of 1973," indicating a still broader policy scope, treating both the production and consumption of food. Since 1973, the term "agricultural and food policy" has come into widespread use, indicating still further broadening of the policy scope.

One of the first tasks facing the 95th Congress will be development of legislation for the expiring 1973 Act. The 1973 Act is applicable to the major commodity programs and contains provisions relating to domestic and foreign food programs. The Rice Production Act of 1975 also expires at the end of the 1977 crop year, along with legislation creating foreign and domestic food aid. The authorization for

the Agricultural Trade and Development Assistance Act of 1954, (popularly known as P.L. 480) expires, as well as the Funding Authorization (Section 1) for domestic food assistance programs under the Food Stamp Act of 1964.

This case study examined the process of developing legislation to replace the 1973 Act, focusing on the role of USDA and other participants who will be involved, and the manner in which they influence the process.

PARTICIPANTS AND THEIR ROLE

Prior to 1973, forces actively involved in the legislation process were few in number and relatively easy to identify. They included the Department of Agriculture, Office of Management and Budget (OMB), Council of Economic Advisors (CEA), a bipartisan group of Congressmen representing predominantly rural constituents, and the general farm organizations. The formulation of legislation now attracts not only the traditional groups but also widely diverse participants representing numerous sectors of the Federal Government, consumers, agribusiness firms, organized labor, and others.

There are a variety of reasons for this expanded participation in agricultural and food policy legislation. Changes in economic circumstances in this decade leading to heightened economic interdependence is a primary factor. Another is the continual decline in the

number of farms, which has led to a corresponding loss of political influence. Also, the changing nature of society in general and the political process in particular have had an impact.

One way to examine the policymaking process is to examine the emerging issues and identify who is putting them on the agenda. Interviews with people close to the policymaking process and other sources support the general conclusion of enlarged participation and suggest a corresponding diffusion of USDA's influence in the overall policy process.

As indicated, legislative issues were formerly initiated by the traditional groups. As successor legislation to the 1973 Act is formulated, various nontraditional groups will be actively involved. To illustrate, commodity price supports, long of sole concern to producers, will be of interest to agribusiness firms (input and credit suppliers) and consumers. Consumer groups helped lobby for higher supports contained in the Emergency Farm Bill of 1975 (later vetoed), recognizing that high support levels would lead to lower food costs over time. Other issues promoted by nontraditional groups include grain reserves by consumers with price stability and humanitarian concerns, market orders by consumers with food price level concerns, disaster protection for farmers by agribusiness firms, and so on.

To gain a clearer perception of traditional roles and changes that may have occurred in recent times, the participants are viewed in the

context of the overall policy process. The major participant groups are discussed in the following sections.

The Congress. The declining rural influence in Congress is believed by many to be a key factor in the changed process of formulating and enacting food and agricultural legislation. "The farm bloc is no longer numerically strong in Congress and farm legislation can only be passed if there is consensus between the farmer and other blocs in Congress, such as consumer and urban representatives." 1/

The focal point of the legislative process is the Congressional committees, about whose importance it has been said, "... the power to frame the question is often the power to determine the answer." 2/ There has been a growing urban representation on the committees which deal with food and agriculture. The constitutencies of members of the Senate Agriculture Committee are nearly two-fifths urban, and four of the fourteen members represent states with urban constituencies of fifty percent or more. The House Agriculture Committee undergoes more frequent change and has been twice expanded in recent years to accommodate a growing interest by primarily non-rural representatives. In

1/ R. M. Bor, "Politics and Policy in Food Prices," in Proceedings of Purdue University Policy Workshop, Summer 1976

2/ M. Barone, G. Ujifusa, and D. Matthews, The Almanac of American Politics, 1976. E. P. Dutton and Co., Inc., New York, 1975

the 94th Congress, some of the newly elected members serving on the committee represented totally urban constituencies, reflecting an increased concern about food prices and consumer-related issues.

The Senate Agriculture Committee, preparing to draft replacement legislation for the 1973 Act, sought views and input from the traditional participants, and also a broad spectrum of groups, including prominent consumer organizations.[3/] When hearings are held on specific legislative proposals in the Senate (and House), this same broad spectrum of groups will be invited to present their views.

In recent times, other committees in the Congress have come to have an increasingly influential role in determining agricultural and food policy. Senate and House appropriations committees and their subcommittees on agriculture and related agencies influence policy and its administration through their ability to affect funding of food and agriculture related programs in USDA and elsewhere. Domestic and foreign food aid programs account for about three-fourths of USDA appropriations in FY 1977. The existence of the domestic food aid programs in USDA has provided an opportunity for legislative tradeoffs between rural legislators desiring specific farm program provisions and urban legislators desiring certain food aid program provisions. Should these programs be removed from USDA in a general welfare reform, as is frequently mentioned, the implications for the Department and traditional "agricultural policy" could be important.

3/ Senate Committee on Agriculture and Forestry, Farm and Food Policy, 1977. Committee Print, Washington, D. C., September 1976

Other relatively influential committees treating issues relating to food and agriculture include: Senate--Select Committee on Nutrition and Human Needs, Foreign Relations, Finance, and Budget; House--Judiciary, International Relations, Ways and Means, and Budget. Other committees having jurisdiction over environmental, labor, research, energy, and general economic policy also have an impact on the broader aspects of food and agricultural policy.

The two budget committees and the Congressional Budget Office (CBO), formed after passage of the Congressional Budget and Impoundment Act of 1974, may well influence the content of legislation as well as the process. The Budget Act implements an explicit schedule which influences the timing of consideration of specific legislative proposals. According to the timetable, replacement legislation for the 1973 Act must be reported out of committee by May 15 and enacted by the 7th day after Labor day. This is especially significant this year since a new administration must quickly grapple with legislative matters, or request an extension of the present Act.

The impact of the new budget process on content of specific legislation also could be significant. The budget process naturally focuses emphasis on costs of proposed programs, possibly to the neglect of benefits. Thus, bills and individual provisions of bills may be evaluated and debated (and ultimately fail or pass) on the basis of their budget impact (cost) rather than on anticipated benefits.

The Executive Branch. There are two components to the Department of Agriculture's role in policy development and implementation -- the political and the professional. Many of the interviewees suggested the political leadership role of the Department in legislative matters should be stronger. That is, the Department should take the lead in proposing and promoting legislation relating to the broad aspects of food and agriculture. Often cited as evidence for a stronger role is the fact that an Administration authored agricultural bill has not been sent to Congress since 1962, presumably to reduce the opportunity for partisan political criticism of Administration proposals. Rather, the Department has opted to allow Congressional committees to take the lead and then consult on development of legislative proposals and to react to pending legislation. It was also suggested by interviewees that with the same political party now in control of both the Congress and the White House, that Congress will, in the future, look more and more to the Executive Branch to provide the initiative on policy legislation.

The Department's professional role includes administration and analytical support. Credibility of support agencies is a continuing concern. Most interviewees believed a distinction between the Department's political and professional roles was made generally by the policy establishment. In interviewee's ratings of the credibility of the various agencies within the Department, it was found that the credibility of an agency varies inversely with the closeness of

association with the political process and administration of public programs. For example, agencies administering the commodity of food distribution programs frequently become embroiled in political controversy because wide latitude in administering the programs is often allowed by law. The research and data gathering agencies are relatively nonpolitical and generally insulated from the partisan political process, thus enjoy relatively high credibility.

Numerous other groups within the Executive Branch are now also involved in the process of arriving at replacement legislation. 4/ OMB, a traditional participant, has an increasing role as budget considerations receive emphasis (as noted above). CEA, also a traditional participant, evaluates the implications of policy proposals for the general economy. Relatively new groups within the Executive Branch include the Departments of State and Treasury with interests in the implications of policy for foreign relations, balance of payments, etc. Also, entities such as the Committee on International Economic Policy (CIEP), and the Office of the Special Trade Representative (STR), and other groups (see Table 1, page 10), have now become involved. The input of these groups is primarily in the development of Administration response to legislative proposals and in ad hoc policy decisions required from time to time, such as changes in the commodity support rates.

4/ A recent paper by Jaencke (see References in Appendix B) noted that as many as 26 Government units may become involved in policy related matters.

The proliferation of groups within the Executive Branch (and Congress) in the policy process has been an additional factor of growing significance. Formerly, most of the expertise for policy analysis (determining economic impacts, benefits, and costs of policy proposals) was centered in the Department of Agriculture. Others in the policy process were generally required to rely upon the Department's analyses and resulting estimates. Executive Departments and Agencies (and agencies of the Congress, such as CBO) recently have hired experts who have experience in agriculture and related policy areas. These people can maintain a watch over the Department's actions, and have the skills and connections to keep abreast of what is occurring.

The Judicial Branch. The growing importance of the judiciary as a force in policy determination is becoming more widely recognized. More and more of the legislation adopted by the Congress is in broad terms, allowing wide latitude for discretionary decisions in the subsequent program administration. As conflicts arise over these decisions and are settled by the Courts, the Judiciary's interpretations, in essence, have the effect of making policy. This relatively recent phenomenon contributes to an erosion of influence in policy determination and implementation by the Executive and Legislative Branches.

An area in which the role of the Judiciary has been especially prominent is regulation. While regulatory functions were outside the scope of this study, this is an increasingly important component of

agricultural and food policy. Numerous Government agencies, other than USDA, now have regulatory responsibility for functions integral to the provision of food and fiber. While established piecemeal over time, the cumulative impact of overnment regulations on the efficiency of the food and fiber system is a growing concern. Examples of such regulation include the environmental regulations of EPA, occupational and health standards by OSHA, antitrust activities by the Department of Justice, agricultural labor by the Department of Labor, transportation by the ICC, food quality and safety regulations by FDA, and commodity market regulation by CFTC, and others. Thus, the effect is that much of policy related to food and agriculture is made by agencies other than USDA and, importantly, with no overall coordination. This suggests further erosion of the influence of the Department in the broad policy scope.

Related to the regulatory functions are recurring questions about the effectiveness of USDA as a regulator. Many of the USDA administered regulations are targeted at producers and agribusiness firms, the traditional clients of the Department.

Producers. Farm organizations having input into the policy process are of two basic types: commodity organizations concentrating issues directly related to a specific commodity, and the general farm organizations which deal with issues crossing commodity boundaries.

Their actual influence on policy determination is difficult to gauge. Interviewees suggested that the influence of such groups in legislative matters has declined significantly and is generally overstated. They indicate that farm organizations can no longer secure passage of legislation they favor, but are only effective in blocking passage of legislation they oppose.

In adapting to this, the National Farmers Union and National Farmers Organization collaborated successfully with AFL-CIO lobbyists to create a coalition of rural and urban interests during development of the 1973 Act. This coalition was necessary to secure sufficient support to obtain passage of the bill. This coalition was also active during Congressional passage of the attempt in 1975 to amend the 1973 Act (H.R. 4279) which was subsequently vetoed by the President. The fact that such coalitions are needed and do develop signifies a departure from the past and portends significant implications for the future.

While newer interest groups tend to be more catholic in their views of the Agricultural and food policy area, producer groups have tended to maintain very parochial perspectives. Producer groups have continued to focus primarily on their traditional concerns of product prices and incomes and their failure to recognize broader aspects and tradeoffs was suggested as a primary factor contributing to their declining influence.

Consumers. Consumers' influence in the legislative policymaking process, while relatively new, is increasing and will likely remain a viable force. Currently, it is an uncoordinated force with varying motives and is found to enter into some unlikely alliances and positions. One characteristic to date has been close alliance between organized consumer groups and organized labor. The consumer groups have frequently been critical of big business but have objected little to organized labor. 5/

Extensive government programs treating food provide a rallying point around which consumers can provide input and exert influence. In the recent Senate Committee on Agriculture and Forestry, solicitation of views on replacement legislation, the American Freedom from Hunger Foundation, Consumer Federation of America, and National Consumers Congress responded, indicating support for a national food and agricultural policy integrating the broad interests of producers and consumers. These consumer groups, and perhaps others, are preparing to actively participate in the process of enacting new legislation in 1977.

A recurring question has been whether the consumer interest in this policy area would remain as food prices moderated. While the

5/ In the recently proposed legislation to establish a Consumer Protection Agency, a major exemption was labor disputes and agreements under the Labor-Management Relations Act

high visibility concerns such as meat boycotts and picketing of food outlets have decreased, the consumer movement has broadened its focus and the organized groups are gaining expertise to provide substantive input into a broad range of legislative matters. Given the relative proportion of the USDA budget for food aid, the inherent tradeoff in farm product and food price levels, regulatory impacts on food costs, and Treasury costs of programs, consumers could be expected to demand more than token attention from USDA.

Agribusiness Firms. As U. S. Agriculture has become more industrialized, the agribusiness community has become a more powerful force in the policy determination process. Agribusiness firms are those whose predominant acitvity is providing inputs for food production, or processing and distributing farm and food products. Their interest in the policymaking process arises because various components of food and fiber policy either complement their activities by enlarging or protecting their markets, or complicate their activities by restricting or regulating certain activities.

Agribusiness firms exert influence through commodity groups, trade associations, and political action programs sponsored by individual firms. They generally have resources to conduct effective lobbying activities and are regarded as being influential in the policy process. Their impact is enhanced through direct and personal

knowledge of or involvement in the policy decision process. In the past, it has not been unusual to find former executives of agribusiness firms, trade association, and producer groups in high-level Government positions. After a tour of duty in Government, such officials often rotate back to the agribusiness sector.

IMPROVED MANAGEMENT TO MEET A CHANGING ROLE FOR USDA

BACKGROUND

Managerial effectiveness is generally recognized as a primary determinant of how well an organization functions. The purpose of this study was to assess (1) constraints to effective departmental management, (2) adequacy of current management emphasis on program planning, and (3) adequacy of current means for identification and development of managers.

Study data were gathered through a combination of interview and sample survey. Questions for the survey were developed by members of the Young Executives Committee and were reviewed and edited by departmental staff. 1/ The sample included every fifth departmental employee in general schedule (GS) grades 12 through 15 up to a total of 175 employees for any one grade, all employees in grades GS-16 through 18, and all employees in the executive pay plan. A total of 633 questionnaires were completed for a response rate of 70 percent.

No statistically significant differences in response to the questionnaire were found to exist between (1) personnel located in the Washington, D. C. area and those outside, (2) those in GS grades 12 and 13, (3) those in GS grades 14 and 15, and (4) those in GS

1/ Survey questions were reviewed and edited by the professional staff of the Office of Audit, USDA

grades 16 through 18 and the executive pay levels. Nor was a statistically significant difference in response found within the broad category of staff and technical personnel irrespective of grade.

Reliance of the study primarily on employee perceptions was recognized from the onset as a limitation to the range and validity of conclusions which could be drawn. It was felt, however, that the opinions of those actively involved or most affected by management decisions in their day-to-day operations would provide a useful perspective for analyzing USDA managerial effectiveness.

RESULTS OF SAMPLE SURVEY

More than three-fourths of all respondents think a high percentage of employees in their agency are very highly committed and highly productive. The majority of respondents indicated that at least five percent of the employees in their unit and others with which they are familiar are performing at a marginal or submarginal level. According to the results of the survey, employees who are performing at a submarginal level for an extended period can be identified by present managers who think they should be terminated from employment. In addition, 80 percent of those responding think within-grade pay increases should not be granted automatically to all employees to avoid morale problems.

A majority of those responding indicated that marginal and submarginal employees affect the performance of the other employees and

require a disproportionate amount of the manager's time. It was indicated by the survey that managers do not terminate the employment of submarginal employees because they think they are constrained by Civil Service Commission, Departmental, Agency, and/or Equal Employment Opportunity regulations.

Within the line manager category, over two-thirds of the respondents at the GS-12/13 level indicated that a lack of support by higher level supervisors often provides a constraint in accomplishing their objectives. More than three-fourths of the supergrade respondents indicated that the salary ceiling is a major constraint in obtaining and keeping outstanding executive-level managers.

It was indicated by many of those surveyed, but less than a majority, that the present system for identifying and developing future managers is inadequate. Most respondents indicated that potential managers are identified by immediate supervisors who tend to select persons with management philosophies similar to theirs. A majority of line managers responding thought their agency had adequate management training and development programs and that courses they had taken improved their managerial skills.

OBSERVATIONS

The Department should initiate an intensive effort to increase the manager's understanding of personnel regulations relating to unsatisfactory performance to eliminate apparent misunderstandings in

this area. An evaluation system should be implemented to facilitate and encourage managers to withhold periodic within-grade increases to marginal and submarginal employees. Increased emphasis should be given to identifying employees who have functioned at an unsatisfactory level for an extended period of time, and appropriate action should be taken. In accordance with their rights, employees, performing at an unsatisfactory level after they have been given adequate counseling, training, and an opportunity to improve, should be terminated from employment with the Department. Managers should be encouraged not to feel constrained by, but to work within, personnel regulations to effectively discharge their responsibilities.

The Department should develop and implement a more effective formalized program for identifying potential managers. Candidates for executive-level management positions should be identified, interviewed, and counseled at the Agency Administrator and Departmental level. This program should be established and operated in a manner to insure getting a higher percentage of imaginative and progressive thinkers and doers. Executive-level manager identification and development programs should be organized on a Department-wide rather than on a within-Agency basis.

Manager development programs should be changed to give more emphasis to developing managerial skills by integrating varied job experience with formalized management training programs. Many of these recommendations on executive development could be met largely by implementing plans already developed at the Departmental and Agency level.

All levels of management in the Department need to give more attention, including providing documentation, to short- and long-range program planning rather than to support services.

APPENDICES

YOUNG EXECUTIVES COMMITTEE MEMBERS

Forest G. Andrew, Farmers Home Administration

Jack Cox, Rural Development Service

Suzanne Early, Foreign Agricultural Service

Robyn Frank, National Agricultural Library

Margaret Glavin, Food and Nutrition Service

Durwood Helms, Packers and Stockyards Administration

Herb Jackson, Agricultural Marketing Service

Tom Kibirsky, Federal Crop Insurance Corporation

Kenneth Knauer, Forest Service

Dan Laster, Agricultural Research Service

Merrill Marxman, Agricultural Stabilization and Conservation Service

Douglas Peet, Soil Conservation Service

J. B. Penn, Economic Research Service

Robert Peters, Rural Electrification Administration

Larry Quinn, Office of Communication

Michael J. Rose, Animal and Plant Health Inspection Service

Robert M. Simmons, Office of the General Counsel

Tom Tate, Extension Service

Clem Ward, Farmer Cooperative Service

John Witzig, Statistical Reporting Service

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Kathy Bishop, Staff, Senate Select Committee on Nutrition and Human Needs.

J. Paul Bolduc, Assistant Secretary for Administration, Department of Agriculture.

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Joseph Coates, Assistant to Director for Methodology, Office of Technology Assessment.

Lynn Daft, Analyst, Congressional Budget Office.

Bill Deuchman, Kansas Secretary of Agriculture.

Harold Dodd, President, Illinois Farmers Union.

Gary Evans, Staff, Congressional Research Service, Library of Congress.

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Charles Frazier, National Farmers Organization.

Orville E. Freeman, President, Business International, Inc., New York City, Former Secretary of Agriculture, 1961-1969.

John Foltz, Assistant Administrator, Foreign Market Development, Foreign Agricultural Service, USDA, formerly Congressional Liaison, USDA.

Alberta Frost, Acting Deputy Director, Food and Nutrition Service, USDA.

Leonard Gardner, Executive Secretary, Illinois Agricultural Association.

Claude Gifford, Director, Office of Communication, USDA.

Dr. Harold D. Giuther, Professor of Agricultural Economics, University of Illinois.

Vernie Glasson, American Farm Bureau Federation.

Ken Glozier, Deputy Associate Director for Energy and Food, Office of Management and Budget.

Robert Gordon, Analyst, Congressional Budget Office.

Robert Greenstein, Associate Editor of CNI Weekly, Community Nutrition Institute.

Alan Grommet, House Budget Committee Staff.

Neal Gunkle, Administrative Assistant to the State Agriculture Director (Ill.).

Mike Hall, Great Plains Wheat.

Earl Hayes, President, Kansas Association of Wheat Growers.

George Herman, Washington Correspondent, Columbia Broadcasting System.

Stephen Hiemstra, Director, Economic Analysis and Program Evaluation Staff, Food and Nutrition Service, USDA.

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Julius Katz, Assistant Secretary for Economics and Business Affairs, Department of State.

Don Kimmel, North American Representative, Food and Agriculture Organization.

Raymond J. Keistetler, Secretary, Pennsylvania Department of Agriculture, Harrisburg, Pennsylvania.

Elmer Klumpp, Staff Assistant, Agricultural Stabilization and Conservation Service.

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Robert Levine, Deputy Director, Congressional Budget Office.

Robert W. Long, Assistant Secretary for Conservation, Research and Education, Department of Agriculture.

Dale Lyon, President, Kansas Farmers Union.

Marshall Matz, Chief, General Counsel, Senate Select Committee on Nutrition and Human Needs.

Leo Mayer, Senior Specialist, Library of Congress.

Arthur Mandirola, Deputy Commissioner, Connecticut Department of Agriculture, Hartford, Connecticut.

L. D. McCorkindale, Director, Arizona Agricultural and Horticultural Committee, Phoenix, Arizona.

Brice Meeker, Assistant Administrator, Commodity Programs, Foreign Agricultural Service, USDA.

Jerome Miles, Director, Office of Management and Finance, Department of Agriculture.

Robert E. Miller, Office of Audit, USDA.

Hyde Murray, Counsel, House Agriculture Committee.

Ken Murray, Foreign Agricultural Service.

Rich McDonald, Foreign Agricultural Service.

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Bob McMillan, Director, Public Affairs, USDA.

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Ronald Pollack, President, Food Research Action Committee.

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Dr. Leonard Schruben, Professor of Agricultural Economics, Kansas State University.

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Walter W. Simons, Deputy Executive Secretary, Industry Cooperative Program, Food and Agriculture Organization, New York City.

Nancy Snyder, Director, Food Stamp Division, Food and Nutrition Service.

Dale Stansbury, Economist, Senate Committee on Agriculture and Forestry.

Jim Starkey, Office of White House Special Trade Representative.

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Nancy Steorts, Special Assistant to the Secretary for Consumer Affairs, Department of Agriculture.

Richard Stone, Illinois Farmer and Seed Dealer.

Paul Taylor, Chief of the Food Policy Division, U.S. Department of State.

Randall Torgenson, Administrator, Farmer Cooperative Service.

Russell Tornabene, Vice President, NBC News for Public Affairs, National Broadcasting Company, New York City.

Kenichi Unno, Agriculture Attache, Embassy of Japan.

Robert Vastine, Deputy Assistant Secretary for Trade and Raw Materials Policy, Department of the Treasury.

William Walker III, Assistant Secretary for Rural Development, Department of Agriculture.

Tom Ward, Office of Management and Finance, USDA.

James Webster, Chief Clerk, Senate Committee on Agriculture and Forestry.

Charles Weitz, Food and Agriculture Organization Representative to the United Nations, New York City.

Leland Woodburn, Assistant State Agriculture Director (Illinois).

Joseph Wright, President, Custom Credit, Inc.

Ivan Wyatt, Vice President, Kansas Farmers Union.

Al Zack, Director of Public Relations, AFL-CIO.

Mikhail Zakhmatov, Economic Counselor, Soviet Embassy.

1976 YOUNG EXECUTIVES COMMITTEE
MANAGEMENT QUESTIONNAIRE

Question	Supervisory status	Grade[a]	Total no.	Response, %: Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
Managers with whom you have contact generally function with a "Don't rock the boat" philosophy.	Line Manager	12-13	69	0	42	6	52
		14-15	102	0	50	5	45
		16-18	133	0	67	6	27
		Total	304	0	55	6	39
	Staff & Technical	12-13	156	0	35	7	58
		14-15	128	0	44	7	49
		16-18	45	0	55	9	36
		Total	329	0	41	7	52
If a manager "Rocks the boat" frequently, he may decrease his chances for promotion.	Line Manager	12-13	69	0	25	16	59
		14-15	102	0	37	18	45
		16-18	133	0	50	19	31
		Total	304	0	40	18	42
	Staff & Technical	12-13	156	0	18	26	56
		14-15	128	0	27	20	53
		16-18	45	0	46	18	36
		Total	329	0	25	23	52
At least 5% of the employees in your unit perform at a marginal or submarginal level.	Line Manager	12-13	69	0	39	1	60
		14-15	102	0	38	5	57
		16-18	133	0	22	5	73
		Total	304	0	31	4	65
	Staff & Technical	12-13	156	5	33	6	56
		14-15	128	3	36	2	59
		16-18	45	9	27	0	64
		Total	329	5	33	4	58
At least 5% of the employees in units other than your own with which you are familiar perform at a marginal or sub-marginal level.	Line Manager	12-13	69	0	19	17	64
		14-15	102	0	25	18	57
		16-18	133	0	14	15	71
		Total	304	0	19	16	65
	Staff & Technical	12-13	156	4	15	17	64
		14-15	128	2	20	14	64
		16-18	45	2	9	11	78
		Total	329	3	16	15	66

Question	Supervisory status	Grade [a]	Total no.	Response, %: Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
Marginal or submarginal employees require too much of a manager's time relative to employees who perform at a satisfactory and above-satisfactory level.	Line Manager	12-13	69	0	10	12	78
		14-15	102	0	15	7	78
		16-18	133	0	10	7	83
		Total	304	0	12	8	80
	Staff & Technical	12-13	156	4	20	16	60
		14-15	128	0	23	11	66
		16-18	45	2	9	5	84
		Total	329	2	19	13	66
Marginal or submarginal employees affect the performance of other employees.	Line Manager	12-13	69	0	10	4	86
		14-15	102	0	10	6	84
		16-18	133	0	5	7	88
		Total	304	0	8	6	86
	Staff & Technical	12-13	156	2	10	8	80
		14-15	128	0	11	6	83
		16-18	45	0	7	6	87
		Total	329	1	10	7	82
An employee whose performance is submarginal for an extended period should be terminated from employment.	Line Manager	12-13	69	0	3	6	91
		14-15	102	0	10	6	84
		16-18	133	0	1	6	93
		Total	304	0	5	5	90
	Staff & Technical	12-13	156	1	8	9	82
		14-15	128	0	9	10	81
		16-18	45	0	7	6	87
		Total	329	1	8	9	82
You could effectively rank your employees from best to poorest in terms of their performance.	Line Manager	12-13	69	0	6	6	88
		14-15	102	0	4	15	81
		16-18	133	0	12	12	76
		Total	304	0	7	12	81
	Staff & Technical	12-13	156	21	4	8	67
		14-15	128	15	4	7	74
		16-18	45	4	5	2	89
		Total	329	16	4	7	73

Question	Supervisory status	Grade [a]	Total no.	Response, % Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
You occasionally rank employees under your supervision, or in your unit, from best to poorest.	Line Manager	12-13	69	4	32	2	62
		14-15	102	1	32	8	59
		16-18	133	1	29	2	68
		Total	304	1	31	4	64
	Staff & Technical	12-13	156	35	22	2	41
		14-15	128	27	21	2	50
		16-18	45	11	16	2	71
		Total	329	28	21	2	49
The periodic within grade increase should be granted to all employees to avoid morale problems.	Line Manager	12-13	69	0	91	7	2
		14-15	102	0	86	2	12
		16-18	133	0	90	2	8
		Total	304	0	89	3	8
	Staff & Technical	12-13	156	0	79	8	13
		14-15	128	0	78	6	16
		16-18	45	0	93	7	0
		Total	329	0	81	7	12
The periodic within grade increase should only be granted to employees rated above average.	Line Manager	12-13	69	1	42	12	45
		14-15	102	0	44	11	45
		16-18	133	0	29	11	60
		Total	304	0	37	11	52
	Staff & Technical	12-13	156	1	49	13	37
		14-15	128	1	48	12	39
		16-18	45	0	22	7	71
		Total	329	0	45	12	43
A very high percentage of employees in your Agency are highly committed and highly productive.	Line Manager	12-13	69	0	22	13	65
		14-15	102	0	12	8	80
		16-18	133	0	6	5	89
		Total	304	0	11	8	81
	Staff & Technical	12-13	156	1	17	7	75
		14-15	128	0	17	10	73
		16-18	45	0	18	11	71
		Total	329	0	17	9	74

Question	Supervisory status	Grade [a]	Total no.	Response, %			
				Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
You think that, overall, your unit is doing a better job than comparable units.	Line Manager	12-13	69	0	12	20	68
		14-15	102	0	6	16	78
		16-18	133	0	3	16	81
		Total	304	0	6	17	77
	Staff & Technical	12-13	156	3	11	28	58
		14-15	128	2	9	26	63
		16-18	45	2	2	22	74
		Total	329	2	9	26	63
For the managers you know, lack of support by higher level supervisors often provides a constraint to line managers in accomplishing their objectives.	Line Manager	12-13	69	0	26	4	70
		14-15	102	0	46	8	46
		16-18	133	0	58	6	36
		Total	304	0	47	6	47
	Staff & Technical	12-13	156	1	35	16	48
		14-15	128	2	30	16	52
		16-18	45	0	51	9	40
		Total	329	2	35	15	48
For the line managers you know, lack of effectiveness by Support Services provides a constraint in accomplishing their objectives.	Line Manager	12-13	69	0	32	16	52
		14-15	102	1	45	9	45
		16-18	133	0	42	7	51
		Total	304	0	41	10	49
	Staff & Technical	12-13	156	2	38	16	44
		14-15	128	2	38	20	40
		16-18	45	0	34	13	53
		Total	329	2	37	17	44
Your pay is fair for the job you do.	Line Manager	12-13	69	0	32	10	58
		14-15	102	0	16	6	78
		16-18	133	0	60	5	35
		Total	304	0	39	6	55
	Staff & Technical	12-13	156	0	25	8	67
		14-15	128	0	16	6	78
		16-18	45	0	53	0	47
		Total	329	0	26	6	68

Question	Supervisory status	Grade [a]	Total no.	Response, %			
				Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
Managers with whom you have contact are sufficiently forward thinking in regard to future program requirements.	Line Manager	12-13	69	0	39	12	49
		14-15	102	0	34	6	60
		16-18	133	0	30	4	66
		Total	304	0	34	6	60
	Staff & Technical	12-13	156	0	36	13	51
		14-15	128	0	30	13	57
		16-18	45	0	33	7	60
		Total	329	0	33	12	55
Your Agency has adequate training and development programs for managers.	Line Manager	12-13	69	0	35	23	42
		14-15	102	0	31	12	57
		16-18	133	0	27	11	62
		Total	304	0	30	14	56
	Staff & Technical	12-13	156	1	40	21	38
		14-15	128	0	34	14	52
		16-18	45	4	40	16	40
		Total	329	2	37	17	44
ou could do your present job better if you had more management training courses.	Line Manager	12-13	69	0	32	19	49
		14-15	102	0	55	24	21
		16-18	133	0	57	20	23
		Total	304	0	51	21	28
	Staff & Technical	12-13	156	6	51	19	24
		14-15	128	3	56	23	18
		16-18	45	4	54	22	20
		Total	329	5	53	21	21
ost management training courses you have ttended have done ittle to improve our managerial skills.	Line Manager	12-13	69	3	55	19	23
		14-15	102	1	55	12	32
		16-18	133	0	67	11	22
		Total	304	1	60	13	26
	Staff & Technical	12-13	156	19	43	7	31
		14-15	128	4	46	10	40
		16-18	45	7	56	13	24
		Total	329	11	46	9	34

Question	Supervisory status	Grade [a]	Total no.	Response, %			
				Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
Managers with whom you have contact give sufficient effort toward identifying and developing future managers.	Line Manager	12-13	69	1	35	20	44
		14-15	102	0	39	16	45
		16-18	133	0	37	10	53
		Total	304	1	37	14	48
	Staff & Technical	12-13	156	0	54	16	30
		14-15	128	0	44	17	39
		16-18	45	0	36	16	48
		Total	329	0	48	16	36
Your Agency has adequate criteria and an adequate system for identifying future managers at all levels.	Line Manager	12-13	69	1	41	35	23
		14-15	102	0	44	21	35
		16-18	133	0	38	12	50
		Total	304	0	41	20	39
	Staff & Technical	12-13	156	1	56	22	21
		14-15	128	0	42	27	31
		16-18	45	7	40	20	33
		Total	329	2	48	24	26
A person who expects too much from his subordinates is not likely to progress to a high level management position.	Line Manager	12-13	69	0	61	11	28
		14-15	102	0	67	17	16
		16-18	133	0	77	12	11
		Total	304	0	70	13	17
	Staff & Technical	12-13	156	1	58	25	16
		14-15	128	1	52	26	21
		16-18	45	2	58	20	20
		Total	329	1	55	25	19
When a person is identified as a potential manager, this is usually explained and discussed with the person.	Line Manager	12-13	69	0	51	16	33
		14-15	102	1	40	25	34
		16-18	133	0	37	18	45
		Total	304	0	41	20	39
	Staff & Technical	12-13	156	7	47	27	19
		14-15	128	2	39	38	21
		16-18	45	4	43	20	33
		Total	329	5	43	30	22

Question	Supervisory status	Grade[a]	Total no.	Response, %: Not applicable	Disagree & strongly disagree	Undecided	Agree & strongly agree
A person who is capable of being a successful executive-level manager in one Agency could likely be a successful executive-level manager in another Agency.	Line Manager	12-13	69	0	10	13	77
		14-15	102	0	7	12	81
		16-18	133	0	11	10	79
		Total	304	0	9	12	79
	Staff & Technical	12-13	156	0	18	13	69
		14-15	128	0	19	9	72
		16-18	45	2	16	11	71
		Total	329	0	18	12	70
When a person is identified as a potential manager, this identification is usually made by his immediate supervisor.	Line Manager	12-13	69	0	25	17	58
		14-15	102	0	25	17	58
		16-18	133	0	19	16	65
		Total	304	0	22	17	61
	Staff & Technical	12-13	156	3	19	28	50
		14-15	128	2	28	26	44
		16-18	45	2	18	27	53
		Total	329	2	23	27	48
Managers identify persons as potential managers who have a management philosophy similar to their own.	Line Manager	12-13	69	0	13	25	62
		14-15	102	0	12	24	64
		16-18	133	0	26	21	53
		Total	304	0	18	23	59
	Staff & Technical	12-13	156	2	11	22	65
		14-15	128	0	11	20	69
		16-18	45	2	18	31	49
		Total	329	1	12	23	64
Mobility is highly important to executive development programs.	Line Manager	12-13	69	0	10	7	83
		14-15	102	0	13	13	74
		16-18	133	0	10	8	82
		Total	304	0	11	10	79
	Staff & Technical	12-13	156	0	19	10	71
		14-15	128	0	13	20	67
		16-18	45	2	11	16	71
		Total	329	0	16	15	69

[a] There were no statistically significant differences (P>.10) in the responses between GS grades 12 and 13; between GS grades 14 and 15; or among persons in GS grades 16, 17, 18, and the executive pay plan and no significant differences between personnel in a staff and technical role.